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EVALUATION OF THE IMPACT OF NEW PUBLIC OFFICE CONSTRUCTION ON THE OFFICE MARKET IN CENTRAL BOSTON

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I. IMPACT OF NEW PUBLIC OFFICE CONSTRUCTION ON THE OFFICE MARKET IN CENTRAL BOSTON

The completion of two new public office buildings, the State Transportation Building and the Federal GSA building totalling over 1 million square feet of net leaseable public office space, should not have a large or an adverse effect upon the office market in Downtown Boston. Tenants will certainly vacate a sizeable amount of both public and private office space to occupy the new space but several important factors should mitigate this impact. Of prime importance is the fact that these buildings will not be completed and ready for occupancy at the same time. The State Transportation Building is currently underway and scheduled for completion in 1983, while the Federal G.S.A. Building is approved, awaiting final planning considerations, and scheduled for completion no earlier than 1984-1985.

Several other characteristics of the office space to be vacated will serve to ease the impact of the rent-up of the new buildings upon the Boston office market:

1. Only seventy (70%) percent or 550,310 square feet of the total office space to be vacated for occupancy by the tenants of the 2 new buildings will be from the private market in Boston. (See Table 1.)

2. Nearly twenty-five (25%) percent of the space will be from public office buildings which have been overcrowded and in need of alleviation for some time.

3. Another five (5%) percent of the space vacated will be from outside of the city resulting in a net addition to Boston.

4. A large amount of the total space to be vacated is located in either the Financial District or Government Center - two areas of prime demand at the present time. (See Map 1 and Table 2.)

5. Similarly, forty-seven (47%) percent of total private space to be vacated in Class A space; choice space with current low vacancy rates.

All of these factors indicate that the effect of the two new public office buildings on the office market in downtown Boston will be only temporary, at most, and insignificant. Even if the full amount, 550,000 square feet, of private office space to be vacated was all added to the current stock of vacant space in summer 1981 there would only be about 1 million square feet of total vacant space and the vacancy rate would remain below five percent.

TABLE 1

SUMMARY TABLE

Class of Office Space to be Vacated by
Construction of Two New Public Office Buildings
(in Square Feet)

Office Space Class or Type	Federal GSA Building	State Transportation Building	Total
A	223,764	31,500	255,264 (33%)
B	145,056	14,000	159,056 (21%)
C	33,290	92,700	125,990 (16%)
SUBTOTAL, Private	402,110	147,200	550,310 (71%)
Public (B)	-	187,000	187,000 (24%)
Outside Boston	34,415	-	34,415 (5%)
TOTAL	436,525	334,200	770,725 (100%)

Source: Boston Redevelopment Authority, Research Department
Carlaw and Matrullo, "A New Federal Office Building in Boston - A Close Examination," June 1978.
Personal contact with State Transportation Building Project Office.

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TABLE 2

SUMMARY TABLE

Location of Office Space to be Vacated by
Construction of Two New Public Office Buildings
(in Square Feet)

Office Space Location	Federal GSA Building	State Transportation Building	Total
Financial	165,776	137,200	302,966 (39%)
Government	202,626	187,000*	389,626 (51%)
Midtown	6,972	-	6,972 (1%)
Back Bay	26,476	11,000	37,476 (5%)
Outside Boston	34,415	-	34,415 (5%)
TOTAL	436,525	334,200	770,725 (100%)

* Public Office Space Only

Source: Boston Redevelopment Authority, Research Department
See Table 1

II. EFFECT OF NEW STATE TRANSPORTATION BUILDING ON BOSTON'S OFFICE MARKET

Occupancy of the new State Transportation Building should have a very small effect on Boston's office market. The new building will provide about 600,000 net leaseable square feet of new, necessary office space for State Transportation departments, will free presently crowded State office conditions for expansion of existing departments, and will free some older office space in the downtown private office market. (See Table 3.)

Upon completion of the State Transportation building in Park Square six tenants will move in from other buildings in downtown Boston providing more office space for other tenants in the City. Of the total 335,200 square feet to be vacated, fifty-six (56%) percent will be from public office space and forty-four (44%) percent from private office space. (See Table 4.) A majority of the office space to be vacated, fifty-eight (58%) percent, will be from Class B space. Government Center and the Financial District will receive the greatest share of vacated space with fifty-six (56%) percent and forty-one (41%) percent, respectively. The tenant leaving behind the most space will be the Department of Public Works presently occupying 181,000 square feet of public office space in the D.P.W. Building at 100 Nashua Street. (See Table 5.) The largest share of private office space to be vacated will be from the United Shoe Building, 92,700 square feet of Class C space, and the Keystone Building, 30,500 square feet of Class A space.

The direct impact of the vacant space left behind by tenants moving into the State Transportation Building will be minimal. Only 147,200 square feet of occupied private office space will be freed. 41,500 square feet of this space is prime Class A space in the Financial District and Back Bay, likely to be readily occupied. The remaining 105,700 square feet is Class B and C space but is located in prime financial district locations. (See Map 1.)

The 187,000 square feet of public space vacated at 100 Nashua Street is a significant amount. However, State officials claim that this space to be vacated is needed for the expansion of presently crowded office facilities. Also the possible consolidation of offices from outside downtown Boston is seen as another use of the vacated space.

There is a marked difference between the 334,200 net leaseable square feet of office space left behind by tenants moving to the new State Transportation Building and the approximately 640,000 new leaseable square feet to be occupied. The difference is accounted for by two factors: 1) Tenants moving into the new building are presently crowded and in need of expanded office facilities, and 2) a small amount of new space may be left for possible further expansion needs of State office tenants.

In short, the total effect of the State Transportation Building on Boston's office market will be positive. There will most likely be a net gain of jobs, economic activity, and office space presently in short supply.

TABLE 3

DISTRIBUTION OF NEW STATE TRANSPORTATION BUILDING SPACE BY USE

	Square Feet
Agency Space, Gross	800,000
Parking - Underground	75,000
Retail - Ground Level	80,000
TOTAL, Gross	955,000
TOTAL, Mechanical	238,750
TOTAL, Net Occupied	716,250
Efficiency Factor	75.00%

Source: BRA Research Department

TABLE 4

SQUARE FOOTAGE OF SPACE PRESENTLY LEASED AND PROPOSED TO BE VACATED
(By Class of Space and Market Area)

	Financial	Back Bay	Midtown	Government	Total
Class A	30,500	11,000	-	6,000	47,500 (14.2%)
Class B	14,000	-	-	181,000	195,000 (58.3%)
Class C	92,700	-	-	-	92,700 (27.7%)
TOTAL PUBLIC	-	-	-	187,000	187,000 (56.0%)
TOTAL PRIVATE	137,200	11,000	-	-	147,200 (44.0%)
TOTAL	137,200 (41.1%)	11,000 (3.3%)	- (0%)	187,000 (56.0%)	334,200 (100%) (100%)

Source: Boston Redevelopment Authority, Research Department, June 1981
See Table 2

TABLE 5

LOCATION AND CLASS OF OFFICE SPACE TO BE VACATED BY CONSTRUCTION OF NEW STATE TRANSPORTATION BUILDING

Building and Occupant	Class	Net Leasable Square Feet	Market Area
D.P.W. Building 100 Nashua Street Department of Public Works	B	181,000	Government Center
United Shoe Building 50 High Street M.B.T.A.	C	92,700	Financial District
Keystone Building 99 High Street Massport	A	30,500	Financial District
27 School Street C.T.P.S.	B	14,000	Financial District
Prudential Center Massachusetts Turnpike Authority	A	11,000	Back Bay
McCormack Building 1 Ashburton Place Executive Office of Transportation and Construction	A	6,000	Government Center
TOTAL		335,200	

Source: BRA Research Department, from contact with State Transportation Building Project Office

NEW STATE TRANSPORTATION BUILDING

Location of Presently-Leased Office Space to Be Vacated.

1. D.P.W. Building (100 Nashua St.)
2. United Shoe Building (50 High St.)
3. Keystone Building (99 High St.)
4. 27 School Street
5. Prudential Center (800 Boylston St.)
6. McCormack Building (1 Ashburton Pl.)

III. EFFECT OF THE PLANNED GSA FEDERAL OFFICE BUILDING ON BOSTON'S OFFICE MARKET

The U.S. General Services Administration office building planned for construction at North Station will have a larger impact on the office market than that of the State Transportation building. However, a BRA Research Department publication, "A New Federal Office Building in Boston", completed in June 1978, concluded that:

> There would be minimal adverse impacts of a new Federal Office Building on the City's office industry since the space to be vacated is new (post-1960) or fully renovated, and is located principally in the prime "Financial" and "Government" office market areas downtown. New or fully renovated office buildings, designated Class A and B, respectively, are presently experiencing an estimated low vacancy rate of eight percent.

Since that time vacancy rates for downtown have fallen to 2.1 percent, the lowest mark since 1970.

The following tables are excerpted from the 1978 report by Carlaw and Matrullo. They provide a detailed analysis of the class, location (see Map 2), and tax status of the 402,110 square feet of office space to be vacated by prospective Federal Office Building tenants as of mid-1978. See Tables 6 through 9. As of Spring, 1981, no update is available.

TABLE 6

DISTRIBUTION OF NEW FEDERAL OFFICE BUILDING BY USE

	Square Feet
Agency Space, Net	440,450
Parking	100,000
Service Areas	
Mailroom	400
Information Center	400
Concession	800
Vending	1,400
Cafeteria	6,400
Conference Room	6,000
Communications	1,875
Health Room	1,275
Federal Protection Service	1,000
Custodial	12,000
Future Expansion	44,000
Retail and Other Use	22,050
TOTAL, Occupied	638,050
TOTAL, Mechanical	322,330
TOTAL, Gross Square Feet	960,380
Efficiency Factor	66.44%

Source: Carlaw and Matrullo, "A New Federal Office Building in Boston - A Close Examination," June 1978

TABLE 7

SQUARE FOOTAGE OF SPACE PRESENTLY LEASED AND PROPOSED TO BE VACATED
(By Class of Space and Market Area)

	Financial	Back Bay	Midtown	Government	Total
Class A	139,448	-	-	84,316	223,764 (55.7%)
Class B	-	26,746	-	118,310	145,056 (36.1%)
Class C	26,318	-	6,972	-	33,290 (8.3%)
TOTAL	165,766 (41.2%)	26,746 (6.7%)	6,972 (1.7%)	202,626 (50.4%)	402,110 (100%) (100%)

Outside Boston: 34,415 square feet of Class A space.

Source: Boston Redevelopment Authority, Research Department, 1978
See Table 6

TABLE 8

TAXES PAID ON SPACE PRESENTLY LEASED
AND PROPOSED TO BE VACATED IN BOSTON
(By Class of Space and Market Area)

	Financial	Back Bay	Midtown	Government	Total	
Class A	$729,313	-	-	$440,973	$1,170,286	(77%
Class B	-	$51,620	-	228,338	279,958	(19%
Class C	47,109	-	$12,480	-	59,589	(4%
TOTAL	$776,422 (52%)	$51,620 (3%)	$12,480 (1%)	$669,311 (44%)	$1,509,833 (100%)	(100%

Source: Boston Redevelopment Authority, Research Department, 1978
See Table 6

TABLE 9

LOCATION AND CLASS OF OFFICE SPACE TO BE VACATED BY CONSTRUCTION OF NEW FEDERAL OFFICE BUILDING

Building and Address	Class	Net Leasable Square Feet	Market Area
Cambridge			
575 Technology Square	-	30,777	-
545 Technology Square	-	3,638	-
Boston			
100 Summer Street	A	134,501	Financial
Analex Building 150 Causeway Street	B	118,310	Government
Bulfinch Building 15 New Chardon Street	A	51,896	Government
Three Center Plaza	A	18,266	Government
441 Stuart Street	B	16,489	Back Bay
Boston Stock Exchange	C	13,121	Financial
Park Square Building	B	10,257	Back Bay
Two Center Plaza	A	9,346	Government
110 Tremont Street	C	6,972	Midtown
Batterymarch Building	C	6,654	Financial
United Shoe Building	C	6,543	Financial
55 Court Street	A	4,947	Financial
Federal Home Loan Bank, 1 Union St.	A	4,808	Financial
TOTAL, Cambridge		34,415	
TOTAL, Boston		402,110	

Source: BRA Research Department, 1978
See Table 6

LOCATION OF PRESENTLY-LEASED OFFICE SPACE
TO BE VACATED

1. Park Square Building
2. Bulfinch Building (15 New Chardon)
3. 110 Tremont Street
4. 441 Stuart Street
5. Analex Building (150 Causeway)
6. 100 Summer Street
7. Three Center Plaza
8. Batterymarch Building
9. United Shoe Machinery Building (Federal)
10. Federal Home Loan Bank Bldg. (1 Union St.)
11. Boston Stock Exchange (53 State St.)
12. 55 Court Street
13. Two Center Plaza